

Freehold acquisition of 62-68 Bridge Street, Peterborough, PE1 1DT
Councillor Peter Hiller Member for Strategic Planning and Commercial Strategy and Investments
August 2020
<b>Deadline date:</b> August 2020

Cabinet portfolio holder: Peter Hiller Responsible Director:	Cabinet Member for Strategic Planning and Commercial Strategy and Investments Peter Carpenter: Acting Corporate Director of Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: YES Unique Key decision Reference from Forward Plan: KEY/03AUG20/01
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	YES please see Annexe 1.
Is this a project and if so has it been registered on Verto?	NO (TBC) Verto number:

## R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

1. Approve the freehold acquisition of 62-68 Bridge Street, Peterborough.
2. Approve associated stamp duty land tax and professional fees.
3. Approve a contribution towards building conversion and fit out costs, subject to confirmation of financial support from the Towns Fund.

### 1. PURPOSE OF THIS REPORT

- 1.1 This report is for Cllr Peter Hiller to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (e).
- 1.2 The attached appendix 1 information is NOT FOR PUBLICATION in accordance with paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

### 2. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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It is proposed that the legal process for the purchase is commenced once this paper has been approved, with an exchange of contracts taking place 14 days later.

### **3. BACKGROUND AND KEY ISSUES**

- 3.1 This report follows discussion within the Council Management Team and consultation with the relevant Cabinet lead members for Strategic Planning, Commercial Strategy and Investment (Councillor Hiller); Waste, Street Scene and Environment (Councillor Cereste) and Housing, Culture and Recreation (Councillor Allen). It follows an approach to the Council about the opportunity to acquire the properties at 62-68 Bridge Street better known as the TK Maxx and former New Look stores (the former Woolworths building). An initial approach was made in November 2019 when the vendor sought a considerably higher offer and a further approach was made shortly after Council Officers commenced work with the Town Board and began consulting with local stakeholders about proposals for inclusion in the Investment Plan it has now submitted to the Government's Towns Fund programme.

The buildings in question extend to a net internal area of circa 89,000 sq ft over three floors and are in a highly prominent location towards the south end of Bridge Street next to the pedestrian crossing at Bourges Boulevard. Their proximity to Town Hall arguably make the Council a special purchaser. In May 2020, Council Officers sought CMT approval to enter negotiations about the prospective purchase of the building subject to a business case being established; to an independent 'red book' valuation being carried out and to Cabinet approval of the final terms of any deal. The financial terms of the proposed purchase together with the valuation report are set out in the commercially exempt annexe 1.

The opportunity to acquire the building at this point is a timely one. The Council has been working with representatives of its partners in business and the wider community in a 'Town Board' - formed in January this year - to oversee the creation of an Investment Plan for Peterborough which forms the basis of the city's bid to the Government's Towns Fund. This fund enables eligible towns to bid for up to £25m each in support of land use planning, infrastructure, skills and IT connectivity projects aimed at improving growth and productivity. Improvement of the city's cultural infrastructure is an important part of the Towns Fund bid. Work is also underway, with support from the Arts Council, to consult upon and develop a cultural strategy for Peterborough that will look at how to improve the city's cultural infrastructure and boost cultural activities.

62-68 Bridge Street presents an opportunity to develop a new library and cultural hub for the city with a range of other related community and Council uses. The second and third floor of the building and the former New Look shop also provide opportunities to attract commercial income for office and retail uses. Council Officers have commissioned a concept design for the buildings from architect 3D Reid. Their plans are shown at Annexe 2. In addition, a capacity study has been undertaken on the existing library site to assess its potential value as a site for future residential development including active ground floor uses. The study is shown at Annexe 3.

There is an opportunity for the Council to consolidate key operations in the area from Bridge Street to Fletton Quays while also delivering improvements to service delivery and efficiency. This will be achieved by converting the properties at 62-68 Bridge Street to create a multi-purpose hub including a new library, community facilities, meeting rooms, rehearsal rooms and studio space for cultural activities, together with access to facilities for

community learning and education. The Bridge Street location is easily accessible using public transport and conveniently located, close to Peterborough's new University Campus. It is recognised that there is a degree of market risk in relation to letting out those parts of the building that will not be needed for the delivery of Council related services and, at present, the prospects for office and retail sub-letting have been impacted adversely by Covid 19. However, it is assumed that by the time the building has been converted and fitted out it will be possible to let the office space at similar rents to those achieved at Town Hall and retail space at rents in line with those achieved elsewhere in Bridge Street, noting that the location will benefit from increased footfall as Fletton Quays is fully built out and the new University becomes established.

The valuation report indicates a market value of £3.45m i.e. 10% below the proposed purchase price if valued as a commercial retail property. However, the Council is in a competitive bidding position and the valuation, which is less than 50% of the price paid in 2011, is understandably cautious, given the current Covid 19 impacts on retail and commercial property. The purchase of 62-68 Bridge Street will also free up opportunities for disposal of other Council owned properties, realising efficiency savings and capital receipts.

The valuation report also states that, if valued for the purpose of delivering public services, i.e. as a Council Operational property, then its 'fair value' will exceed £8m. The valuation follows Treasury Red Book guidance and takes account of the costs that would need to be incurred if the building required to be replaced.

#### **4. CONSULTATION**

- 4.1 Initial consultation took place with the Council Management Team and then the lead members for Strategic Planning, Commercial Strategy and Investment (Councillor Hiller); Waste, Street Scene and Environment (Councillor Cereste) and Housing; Culture and Recreation (Councillor Allen). Over the past three months the idea of acquiring the building for conversion as a library and community hub has been discussed with the Towns Fund *Town Board* which includes representatives of stakeholders from various groups and sectors across the city. There has also been consultation with prospective users of the building including some cultural groups and representatives of the artistic and creative community. Extensive public consultation has been restricted to some degree as a result of the recent lockdown.
- 4.2 Subject to approval of the recommendations in this report it will be essential as plans for the buildings are taken forward that there is widespread consultation with library users and non-users, representatives of local community groups, people with disabilities, the elderly, young people and minority ethnic groups including people whose first language is other than English to ensure a fully inclusive approach to the development of the building and the services it could provide to a wide range of users.

#### **5. ANTICIPATED OUTCOMES OR IMPACT**

- 5.1 The report seeks Cabinet approval to conclude the acquisition of 62-68 Bridge Street for price agreed with the vendor. The financial details including the costs of purchasing the building and related stamp duty, and transactional costs plus a contribution to the conversion and fit out costs are set out by financial year in the exempt annexe 1. The proposed acquisition will allow the Council to create a new multi-purpose community hub enabling Council services to be relocated from existing buildings that could subsequently be disposed of or leased out to deliver savings for the Council and potential sources of new income.

Work has been done on to prepare an outline accommodation schedule for the building showing how it could be sub-divided providing a new Central Library as its anchor occupier

and a range of other spaces that could be used to provide offices, studio, meeting and conference room space with the New Look Unit let out as retail or related space e.g. a food hall. The accommodation schedule and associated sketch lay out plans are attached at annexe 2.

## **6. REASON FOR THE RECOMMENDATION**

- 6.1 The TK Maxx lease is due to expire in March 2021 and the company is preparing to move their retail operations into the Queensgate Centre. This would leave a major void unit in Bridge Street at a time when the UK's 'High Street' retail industry has been struggling to compete as a result on online shopping, out of city centre retail parks and the rise of value retailers, as well as serious new challenges in the wake of the Coronavirus pandemic. There is a very real danger that this highly prominent site could in a worst case scenario be boarded up for some time or subject to occupational uses that would be sub optimal in this location, eroding the attractiveness of this highly prominent part of Bridge Street and sending the wrong signals about Peterborough as a vibrant location for investment. The precise mix of use of the space within 62-68 Bridge Street will be worked on with relevant Council Services and Community groups. However, by way of illustration, the available space could accommodate a new Library over around 40,000 sq ft of space, a community café, a study area for children, meeting rooms for Council and Community use, a cultural hub with rehearsal and gallery space for local arts and cultural organisations; business incubation space for newly formed and pre start-up companies; space for partner organisations to deliver information and advisory services (e.g. public health); and office space for Council back office administration functions. It would be possible to let out some of the space commercially. There is an existing active enquiry about the New Look unit and scope to rent the 2<sup>nd</sup> & 3<sup>rd</sup> floor as commercial office space following their conversion and fit out using separate lift access from Wentworth Street. Alternatively, some of this space could be used as an Enterprise Hub offering incubation facilities for small and start-up businesses. It also would be possible to let out some of ground floor space to independent operators e.g. for a community café or nursery facility if demand can be proven.

## **7. ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 Maintaining the status quo and leaving the library in its current location on Broadway is an option as is continuing to lease out the Chauffeurs Cottage to Metal Culture. However, both buildings require fresh investment to bring them up to modern standards and their renovation and refurbishment would likely require a period of temporary closure or reduced service operation. The creation of bespoke library and cultural hub facilities at Bridge Street would allow the Council to maintain the operation of existing buildings whilst using the opportunity of investment from the Towns Fund and other potential sources such as the Arts Council lottery fund to create a new facility without disrupting existing services. The creation of a new Hub in a highly accessible location also offers opportunities for broader consolidation of the Council's building estate.

## **8. IMPLICATIONS**

### **Financial Implications**

- 8.1 The detailed financial implications are set out in the commercially exempt Annexe 1. The proposed purchase of the building is supported by an independent valuation based upon Treasury Red Book principles but with a small price premium being paid due to the Council being in a competitive bidding situation. The building will involve significant running costs including rates obligations, utility, maintenance and security costs. It is proposed that the cost of converting and fitting out the building should be borne largely by the Council's Towns Fund application supplemented by other grant funding. Fit out costs for any parts of the building that may be let out to commercial operators would be borne by the operators or reflected in their rental terms. The proposed acquisition price provides an affordable base

rental price per square foot and it would be important to ensure blended rent levels that would be attractive to commercial operators and affordable for cultural and voluntary sector occupiers. An independent valuation has been commissioned to look at the end investment value of the building versus equivalent new build space. This concludes that the Council would have an asset with a value higher than the cost of acquiring and converting the building, assuming Towns Fund support. Subject to approval the Council would be expected to exchange contracts and make a deposit of 10% of the agreed purchase price with the balance of funding due upon completion once the outcome of the Towns Fund bid is known. There is a financial risk should the Towns Fund bid fail. Feedback to date from Government has been positive and it is considered a manageable risk. There is some known retail interest in the building and scope for use of the top floor as commercial office space and therefore potential to recoup investment from the acquisition if the Towns Fund bid failed to cover the conversion and fit out costs.

The Council will purchase the building for £3.975k plus stamp duty land tax and will contribute up to £5m towards the refurbishment costs. The Towns Board has approved a bid of £10m towards the refurbishment costs within the Towns Fund Bid of £25m. The full business case for the purchase is included in Appendix 1.

As part of this project the Council will be able to sell the existing Central Library site and Chauffeurs Cottage and realise a capital receipt.

The purchase of the building was not included in the Capital Programme approved by Council in March, therefore the increase to the Council's budget of £9m for this project will be recommended to Cabinet in September and if approved, recommended for approval by Council in October.

To secure the purchase of the building exchange must take place before the end of August, therefore the deposit required of £400,000 will become a revenue cost in the financial year 2020/21 if Council do not approve the increase of £8m to the Council's borrowing and completion cannot take place.

### **Legal Implications**

- 8.2 It is proposed that the costs of acquiring the buildings would be met by use of the Council's regeneration powers under section s120 of the Local Government Act 1972. It is proposed that a non-refundable deposit of 10% would be made upon exchange of contracts with completion deferred until confirmation of Towns Fund support. Towns Fund Heads of Terms are expected to be issued in August / September with a Town Deal agreed by October. Should the Council be unsuccessful in obtaining the funding and therefore not complete the transfer, the seller would be legally entitled to;
- a. Keep the deposit; and
  - b. Resell the property and any contents to another party; and
  - c. Claim damages including consequential losses from the Council. It is difficult to ascertain the level of damages which could be granted to the seller, but as a general rule, if the property sells for less than that which the Council had agreed to pay then the seller can look to recoup the difference from the Council. Notwithstanding the terms in the HOTS, the other side could also claim their costs and surveyors costs and any other damages as they see fit.

The title report supplied by the seller has not raised any issues which could delay the completion.

### **Equalities Implications**

- 8.3 The proposed acquisition of the building has no direct equalities implications but its subsequent conversion for Library and Community and cultural uses will require extensive

consultation to ensure all relevant equalities requirements are addressed e.g. the Disability Discrimination Act 1995 and other relevant legislative and best practice considerations ensuring that it is a fully inclusive facility accessible by all who may wish to use it.

### **Carbon Impact Assessment**

- 8.4 The proposal involves the acquisition of an existing building with scope to provide a better location for the delivery of Library Services, Cultural Activities and related uses. It will also enable the Council to rationalise its properties and reduce overall running costs and carbon emissions. In line with the Towns Fund we will seek to identify opportunities for renewable energy generation and low-embodied carbon materials for retro fit and therefore whilst the overall impact will be minimised there is likely to be a negative effect overall.

### **9. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

- 9.1 None.

### **10. BACKGROUND DOCUMENTS**

- 10.1 None.

### **11. APPENDICES**

- 11.1 Annexe 1 – EXEMPT financial details, plus valuation report.  
Annexe 2 – Concept scheme design: draft sketches and layouts.  
Annexe 3 – Capacity Study on existing library site.